

Compensating and Measuring Surgeons: Motivation & Methods

University of Texas Medical Branch at Galveston
Compensation System

Society of Surgical Chairs/AASA Joint Session
October 16, 2016

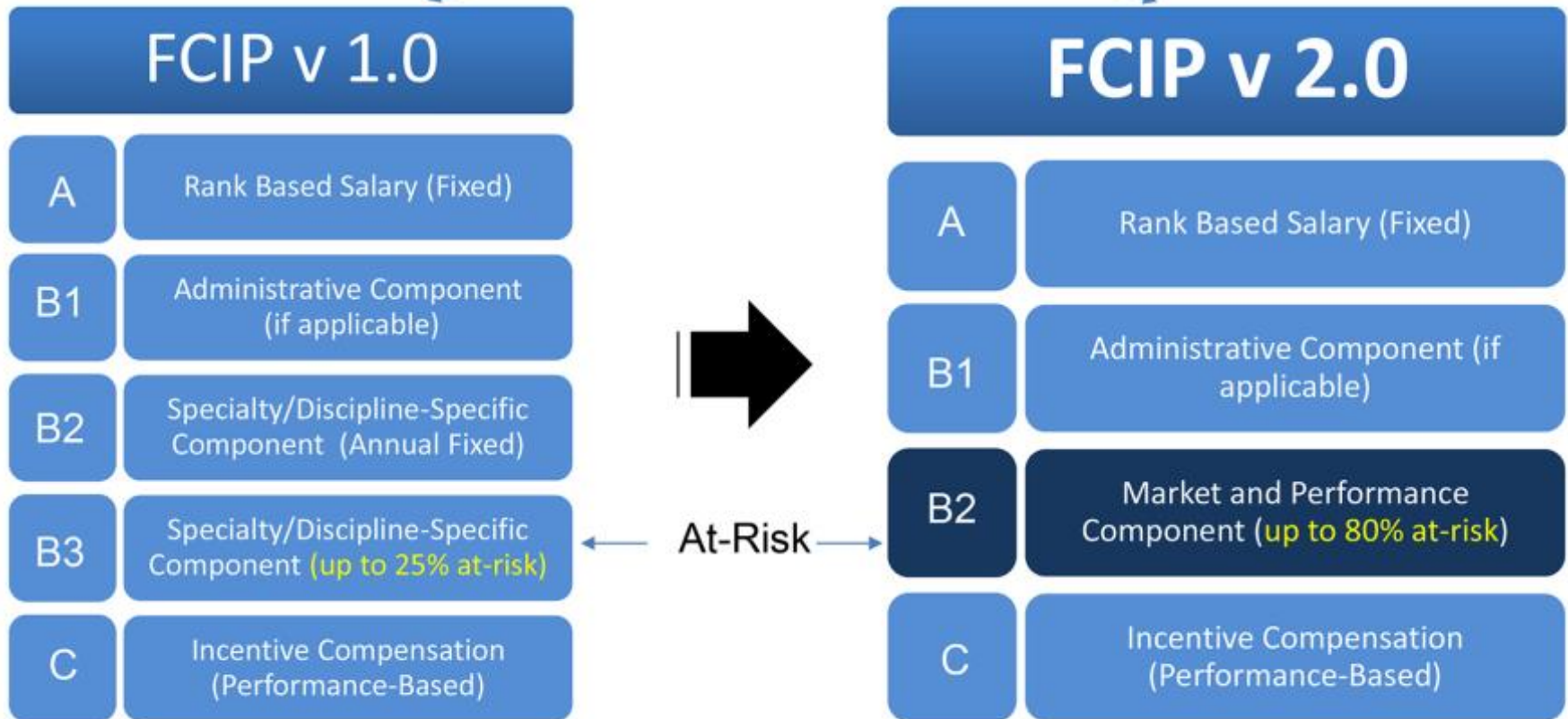
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Faculty Compensation and Incentive Plan Guiding Principles

- **Simplicity**
 - Each faculty member should understand and be able to explain the principles guiding how he or she is compensated
- **Positively correlate productivity with compensation**
 - Progressively reward high performing faculty members across all missions while establishing accountability, covering appropriate overhead and addressing any productivity outliers
 - More clearly define clinical and academic performance expectations, the relevant metrics and corresponding incentives

New Structure for Revised FCIP

Old vs. New Plan



UTMB Department of Surgery

- 61 Faculty Members
 - 54 MDs
 - 7 PhDs
- \$37.7 M Annual Budget
- Ranked 26th in NIH Funding
- \$6.4 M Annual Grant Awards

Department of Surgery: Compensation

FCIP 2.0 Compensation Breakdown

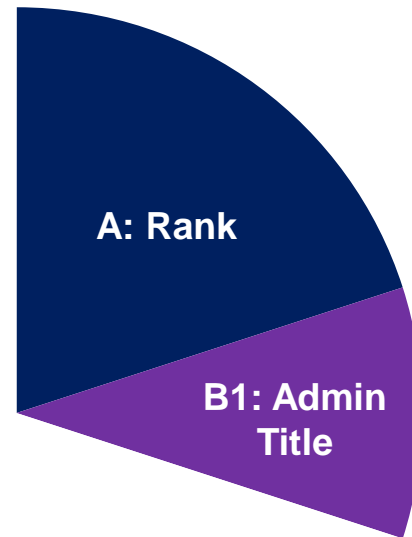
A: Rank **40,000**



- Assistant Professor 40,000
- Associate Professor 51,000
- Professor 67,000

Department of Surgery: Compensation

FCIP 2.0 Compensation Breakdown



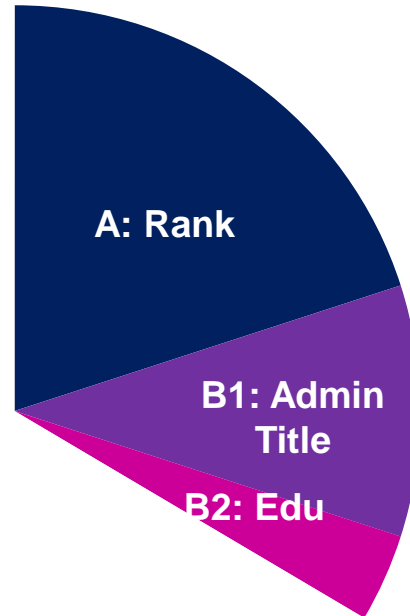
A: Rank	40,000
B1: Admin Titles	20,000

B1: Admin Titles

% effort associated with approved titles paid as a % of total institutional salary

Department of Surgery: Compensation

FCIP 2.0 Compensation Breakdown



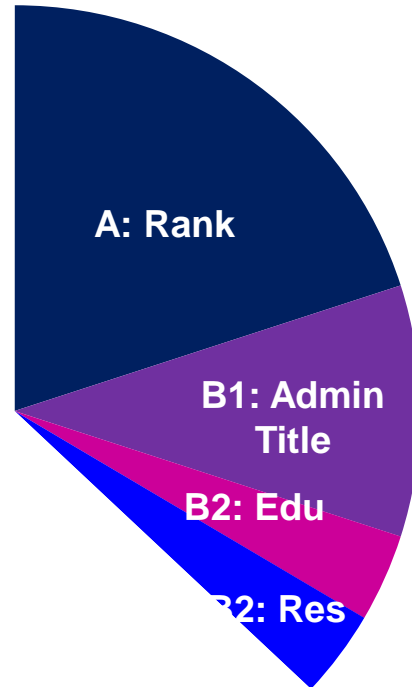
A: Rank	40,000
B1: Admin Titles	20,000
B2: Education	7,000

B2: Education

Based on School of Medicine framework for defining teaching effort

Department of Surgery: Compensation

FCIP 2.0 Compensation Breakdown

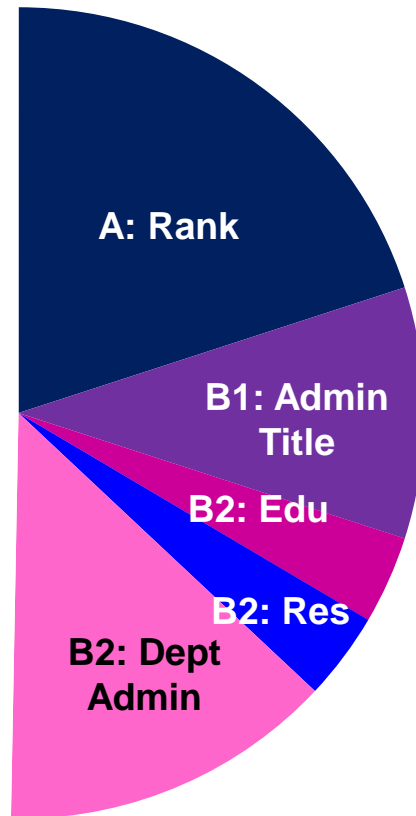


A: Rank	40,000
B1: Admin Titles	20,000
B2: Education	7,000
B2: Research	7,000

B2: Research

% effort based on commitments to funded research

Department of Surgery: Compensation



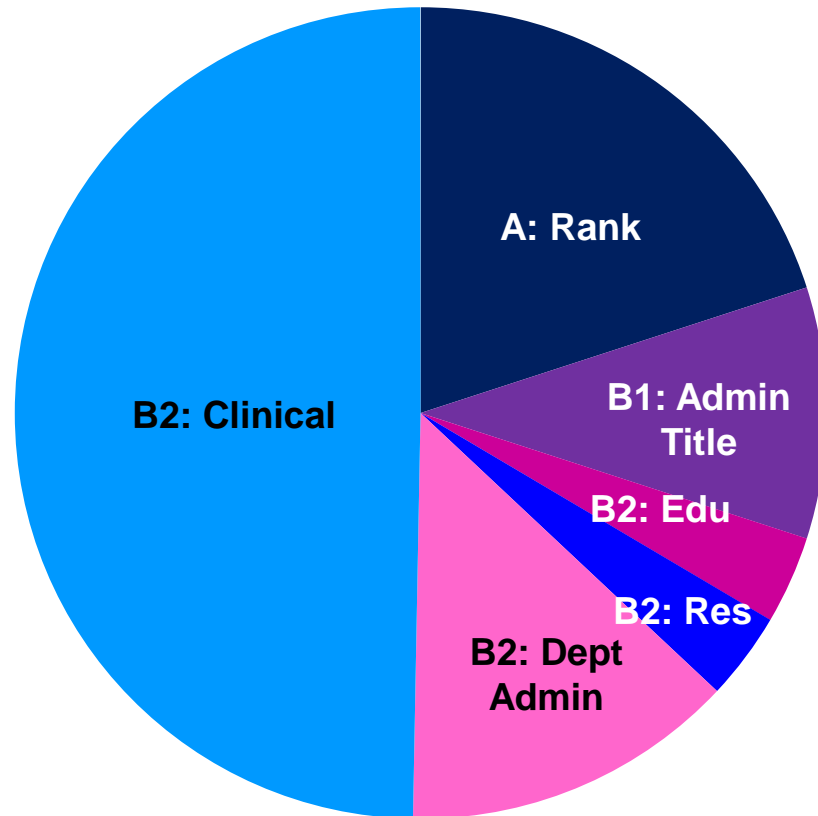
FCIP 2.0 Compensation Breakdown

A: Rank	40,000
B1: Admin Titles	20,000
B2: Education	7,000
B2: Research	7,000
B2: Dept Admin	26,600

B2: Department Admin

Minimum of 9% allocation to each faculty member

Department of Surgery: Compensation



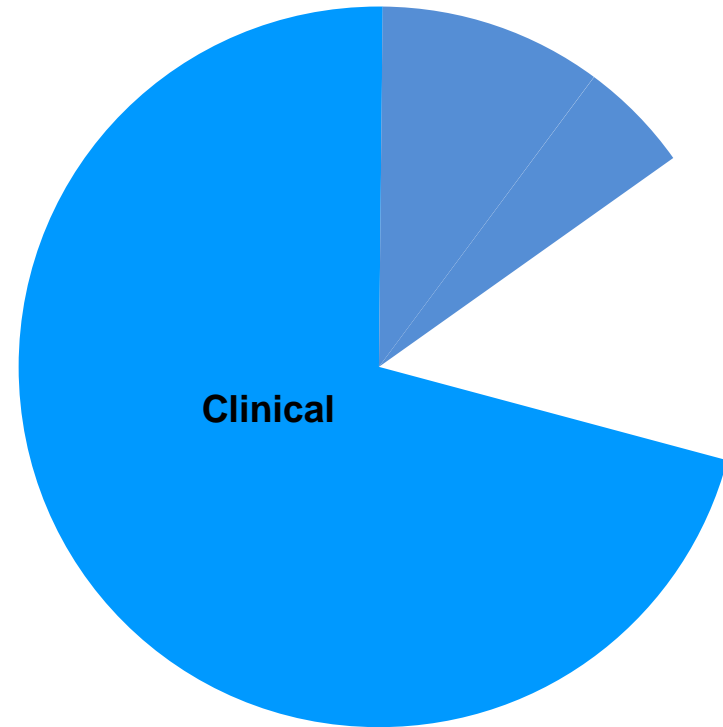
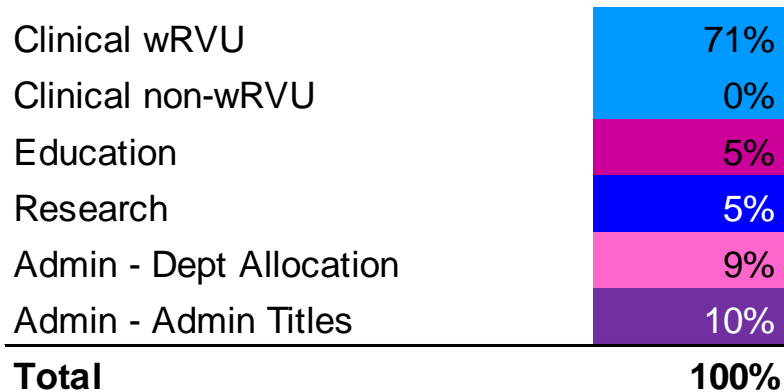
FCIP 2.0 Compensation Breakdown

A: Rank	40,000
B1: Admin Titles	20,000
B2: Education	7,000
B2: Research	7,000
B2: Dept Admin	26,600
B2: Clinical	99,400
Total	200,000

B2: Clinical
Remainder

Department of Surgery: How Determining Faculty Effort Affects Incentives

Mission Effort

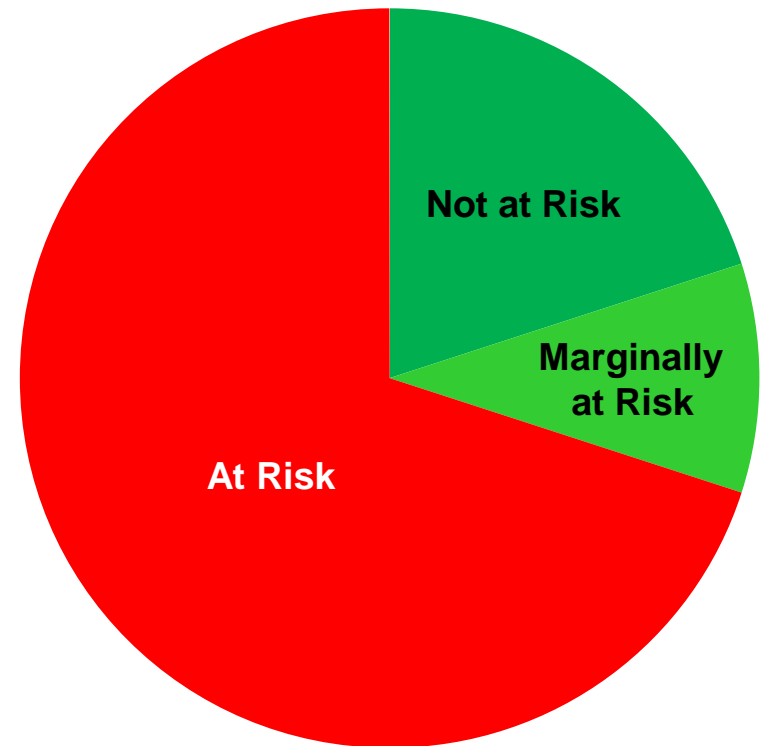


- Clinical FTE determines wRVU target
- Clinical FTE is multiplied by MGMA specialty benchmark

Department of Surgery: Compensation

FCIP 2.0 Compensation

Not at Risk	40,000
Marginally at Risk	20,000
At Risk (All Missions)	140,000
Total	200,000



Compensation Structure

A Rank-Based Component	40,000
B1 Administrative Component	20,000
B2 Market and Performance	140,000
Institutional Salary	200,000
C Incentive	TBD
Total Compensation	200,000
Max at Risk (80% of B2)	112,000
Max Incentive (70% of Inst. Salary)	140,000

Faculty Effort and Expectation Agreement (FEEA)

Demographic Information	
Employee ID	██████████
Name	██████████ ██████████
Institutional Salary:	\$266,500
FTE	1.00
Rank	Associate Professor
Department	Surgery
Benchmark Survey / Specialty	
MGMA ACADEMIC	Surgery ██████████
\$/wRVU	\$54.28
Mission Effort:	
Clinical wRVU generating ¹	71.00%
Clinical non wRVU generating ²	0.00%
Research ³	0.00%
Education ⁴	0.00%
Admin/ Academic ⁵	29.00%
Total	100%



Faculty Expectations	
Key Elements	Performance / Activity
Clinical	
Benchmark WRVU - Median	5,255.00
Expected WRVUs	5,255.00
Research	
Research Salary - Adj. NIH Cap ⁶	\$0
Expected Salary Support (50%)	\$0
Education	
Expected Teaching FTE	0.00
Administration/ Academic	
Administration FTE	0.20
Formal Role(s):	
Director, Residency Program	
Medical Director	██████████

Faculty Effort and Expectation Agreement (FEEA)

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Research Salary - Adj. NIH Cap ⁶	\$0
Expected Salary Support (50%)	\$0
Education	
Expected Teaching FTE	0.00
Administration/ Academic	
Administration FTE	0.20
Formal Role(s):	
Director, Residency Program	
Medical Director	██████████



Individual Clinical Incentive Example

- Institutional Salary: \$200,000
- 5,200 MGMA median wRVU (0.71 cFTE) (annual target)
- 6,000 generated wRVUS

Formula

- Dept. historical average collections per wRVU = \$70.00 per wRVU
- Dept. Graduated Rates (Vary by Dept.) = 20%, 25%, 30%
- 6,000-5,200 = **800 wRVUs exceeds target**

Graduated Incentive (median=5,200 wRVUs, 60%ile=5,600 wRVUs, 75%ile=5,900 wRVUs)

- 400 wRVU @ 50-60%ile of benchmark paid out at 20% of collections per wRVU
= 400 x 20% x \$70.00 = \$5,600
 - 300 wRVU @ 60-75%ile of benchmark paid out at 25% of collections per wRVU
= 300 x 25% x \$70.00 = \$5,250
 - 100 wRVU @ 75%ile + of benchmark paid out at 30% of collections per wRVU
= 100 x 30% x \$70.00 = \$2,100
- \$12,950
Institutional Salary \$200,000
Total Compensation \$212,950

Performance Forecast Report



Employee ID:	[REDACTED]
Name:	[REDACTED]
Institutional Salary:	\$266,500
FTE:	1.0000
Rank/Department:	Associate Professor/Surger [REDACTED]
Benchmark Survey/Specialty:	MGMA ACADEMIC/Surger [REDACTED]
\$/wRVU:	\$52.58
Mission Effort:	
Clinical wRVU:	71
Clinical non-wRVU:	0
Research:	0
Education:	0
Admin/Service:	29
Total:	100 %

Forecast Compensation Structure

A: Rank Based:	\$51,000
B1: Administrative Component:	\$53,300
B2: Specialty Based:	\$95,575
B3: Performance Based:	\$66,625
C: Incentive Individual:	\$111,123
Incentive - Group:	
Incentive - UTMB:	
PBA:	\$0
Total Compensation:	\$377,623

Key Elements	Performance / Activity	Incentive / PBA Payout	Total
	Clinical		
Benchmark wRVU - Median	5,255		
Expected wRVUs	5,255		
Actual wRVUs	14076		
Variance wRVUs	8,820		
50-60%ile -(15 %)	452	7.9	\$3,561
60-75%ile -(20 %)	927	10.5	\$9,743
>75%ile -(25 %)	7,442	13.1	\$97,819
Total			\$111,123

Research

Research Salary - Adj. NIH Cap	\$0		
Exp. Salary Support	\$0		
Salary Support - Grants	0		
Protected Coverage	0		
Variance Sal. Support	\$0		
40-50% Coverage	\$0	15 %	\$0
25-40% Coverage	\$0	20 %	\$0
0-25% Coverage	\$0	25 %	\$0
Total			\$0

Education

Expected TFEs	0.00		
Actual TFEs	0.00		
Variance TFEs	0.00		
Total			
Total Incentive/PBA			\$111,123

Performance Forecast Report

Employee ID:	
Name:	
Institutional Salary:	\$266,500
FTE:	1.0000
Rank/Department:	Associate Professor/Surger
Benchmark Survey/Specialty:	MGMA ACADEMIC/Surger
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Clinical wRVU:	71
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Total			\$111,123



Research			
Research Salary - Adj. NIH Cap		\$0	
Exp. Salary Support		\$0	
Salary Support - Grants	0		
Protected Coverage	0		
Variance Sal. Support		\$0	
40-50% Coverage	\$0	15 %	\$0
25-40% Coverage	\$0	20 %	\$0
0-25% Coverage	\$0	25 %	\$0
Total			\$0

Education			
Expected TFEs		0.00	
Actual TFEs		0.00	
Variance TFEs		0.00	
Total			
Total Incentive/PBA			\$111,123

Individual Clinical PBA Example

- Institutional Salary: \$200,000
- 5,200 MGMA median wRVU (annual target)
- 4,700 actual wRVUs generated

Formula

- Dept. historical average of collections/wRVU (C/wRVU) = \$70.00 per wRVU
- 4,700-5,200 = **500** wRVUs **below** target

Performance Based Downward Adjustment (PBA)

- 200 wRVU @ 40-50%ile of benchmark for PBA of 20% of C/wRVU
= 200 x 20% x \$70.00 = \$2,800
 - 200 wRVU @ 25-40%ile of benchmark for PBA of 25% of C/wRVU
= 200 x 25% x \$70.00 = \$3,500
 - 100 wRVU @ 0-25%ile of benchmark for PBA of 30% of C/wRVU
= 100 x 30% x \$70.00 = \$2,100
- \$8,400

Eligibility – Clinical

- **Assistant, Associate and Professors** with at least **0.5 total FTE effort *AND* clinical FTE of 0.5 or greater**
 - **[New] If a faculty member has approved administrative responsibilities** (by Chair, Director, Dean, Provost and President or designee), he/she may be eligible with ***0.3 clinical FTE***.
- **End of Plan Year assessment** used to determine if **performance based adjustment** will occur in the **next plan year**

Eligibility – Research

- **Assistant, Associate and Professors with any defined and approved independent research effort can participate** in the program
- **Assessment for incentive compensation** now occurs **annually** instead of semi-annually
- **End of Plan Year assessment** used to determine if **performance based adjustment** will occur in the **next plan year**
- Incentive paid based on % of **extramural salary support** for research effort

<u>Tier</u>	<u>Incentive</u>
50-60%	15% of difference
60-75%	20% of difference
75%+	25% of difference

Eligibility – Education

- **Assistant, Associate and Professors** with at least **0.5 total FTE effort**
- **Directors or those with equivalent responsibilities eligible for incentive payments for achieving or exceeding agreed to “stretch” objectives**
- **Assessment (“true-up”) for incentive compensation** now occurs **annually** instead of semi-annually
- **End of plan year assessment** used to determine if **performance based adjustment** will occur in the **next plan year**
- Incentive paid based on actual teaching effort **exceeding expected** teaching effort, with a cap of \$2,500 per faculty member

<u>Tier</u>	<u>Incentive</u>
A > 0-0.10	\$80/0.01
B > 0.10-0.25	\$90/0.01
C > 0.25	\$95/0.01

Summary of FCIP Incentives

Payment schedules:

- **Individual** incentives **paid quarterly** or **annually** based on mission (only clinical is quarterly)
- **Departmental/Group** incentives paid **annually**
- **Institutional** incentives paid **annually**
- **Quality/Value** incentive paid **annually (NEW)**

So how do we make it work?

Department level:

- Develop a clinical target for revenue as part of our budget process that factors in other revenue streams
 - Education - Funded
 - Research - Funded
 - Administration - Funded
- Expand priority missions
 - Administration - Clinical funds
 - Research - Departmental funds

So how do we make it work?

Individual level:

- Review factors that make up FTE
 - Clinical – WRVU target
 - Research – Expectations/Research committee oversight
 - Administration – Job description/Deliverables
 - Education – Time commitment
- Define percentage of B2 compensation at risk
 - 25% - if prior year performance targets met
 - 50% - if prior year performance targets not met
 - 80% - if prior 2 year performance targets not met

Other Incentives:

- Faculty receive annual allocations based on rank for “professional development” expenses including reimbursement for travel, memberships, dues, subscriptions, etc.
- Faculty appointed to endowed professorships and chairs are allocated 50% of the annual revenue.
- Active faculty development program

So how do we make it work?

Division Level

- Work to make Divisions function as a team with group targets
 - Professionalism/Citizenship
 - Clinical productivity
 - Academic
 - Quality improvement
 - Division specific goal
- Model allocates \$2000/person into the incentive pool

So how do we make it work?

Division Level

- 50% at risk if don't make Departmental Contribution Margin
- Dollars earned individually for Division meeting goal as group
- Dollars not earned go into pool to reward
 - Top 10 educators
 - Top 5 with most papers
 - Top 5 most funded

So how do we make it work?

Division Level

- Use of Quality/Value incentive
- \$2000/person
- Focus on Mortality, LOS, 30 day readmission
- Focus on PSIs
- Focus on HCAPHS, CGCAPHS

Challenges:

- Determining the arithmetic of a clinical full-time equivalent (cFTE): Time vs revenue stream
- Rewarding individuals who cannot always control the number of WRVUs they generate (e.g. Transplant, Trauma, Burn, Mission critical services)
- Making sure faculty understand the rules and options available

Department of Surgery: Contribution Margin

Contribution Margin:

FY15 budget: + 356,533

FY15 actual: +1,482,012

FY15 var. to budget: +1,125,479

FY16 budget: - 691,243

FY16 actual: + 485,487

FY16 var. to budget: +1,176,730

Summary of WRVU based Comp Model:

- Easy to understand expectations
- Transparent and easy for all to monitor
- Rewards clinical productivity but also has variable at risk components
- Has revenue streams for educational and administrative activities
- Has flexibility and incentives to help drive all missions